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Tricky Federal Business

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The Reagan administration today will begin the politically tricky business of trying to persuade Congress to cut federal pay 5 percent and raise the civil service retirement age from 55 to 65.

The administration also wants to shift to a voucher system that would give U.S. workers and retirees a check each year that would cover about 60 percent of the premium of today's typical federal health insurance plan.

Hearings on the Reagan budget proposals kick off this afternoon before the Democratic-dominated House Committee on Post Office and Civil Service's subcommittee on federal worker pay and benefits. It will be held in one of the largest rooms in the Cannon House Office Building—to accommodate an anticipated crowd of angry civil servants, union leaders and retirees.

Office of Personnel Management Director Donald J. Devine and David Stockman, director of the Office of Management and Budget, will present the administration's case for the first federal pay cut since the Great Depression and an overhaul of federal retirement and health insurance programs.

If approved, the cuts would cost the Washington area $2 million a day in pay. The retirement changes would reduce future benefits to retirees by more than $700 million a year.

Here is a preview of what Devine, the administration spokesman for civil service matters, will ask of Congress:

- Skip the cost-of-living adjustment for federal-military retirees in December. Their next COLA would come in December 1986, and they would get a full catch-up-with-inflation raise on only the first $10,000 of their annuity. Amounts over that would get 55 percent of the actual cost-of-living increase.
- Reduce pension benefits for federal workers who retire before their 65th birthday. Workers now can retire at 55 with 30 years on an annuity of about 53 percent of salary. Under the proposal, employes who retired in the future at age 55 would get less than 25 percent of their salaries.

The plan would be phased in over 10 years. Workers who are 55 or older at time of enactment could still retire under current rules. Employes who were 54 could retire at 55 with only a 5 percent reduction.

- Cut future annuities by figuring them on the basis of the employes' highest five-year salary average, instead of the highest three years.
- Force the U.S. Postal Service and the District government to kick in an additional 2 percent of salary to the civil service retirement program.
- Exclude all District government employes hired after the end of this fiscal year (Sept. 30) from coverage by the federal retirement, health and life insurance programs. The District would be required to set up its own fringe benefit systems for new workers.
- Give federal workers and retirees a voucher (check) each year to buy health insurance, instead of paying a fixed portion of their health insurance premiums. Health plans participating in the federal health program—which covers nearly half of the people living in the Washington area—would offer any kind of benefits they wanted, at any cost, provided that they offered coverage against catastrophic illness.

The voucher would be pegged at the average amount of employe health premiums the government now pays, about 61 percent. Employes who bought plans that cost less than the voucher could pocket the difference; employes who chose higher-priced plans would pay the difference.

Devine will argue that because many private-sector employes took pay cuts during the recession, it is "only fair" that civil servants help the deficit reduction by taking a one-year pay cut starting in January.